

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 EB-07 TRSE-00 FRB-03 CEA-01
AGRE-00 SP-02 USIA-06 AID-05 NSC-05 CIEP-01 SS-15
STR-04 OMB-01 CIAE-00 COME-00 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 /078 W
----- 083884

P R 101940Z DEC 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 9082

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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PASS TREASURY FOR MCFADDEN

E. O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: INFLATIONARY TRENDS

1. THE JUST-RELEASED INDEXES FOR NOVEMBER
INDICATE THAT INFLATION CONTINUES TRENDING
DOWNWARD. THE GENERAL PRICE INDEX REGISTERED
A 1.9 PERCENT INCREASE OVER OCTOBER, THE
LOWEST MONTHLY RISE THIS YEAR. THE CUMULATIVE
INCREASE THROUGH NOVEMBER WAS 43.9 PERCENT.
THE FOLLOWING TABLE SHOWS THE PERFORMANCE OF
THE THREE MOST USED PRICES INDEXES:

	NOV.	JAN-NOV
	(PERCENT)	
GENERAL PRICE INDEX	1.9	43.9
WHOLESALE PRICES	1.7	41.5
RIO COST-OF-LIVING	1.9	41.0

2. THIS WEEK THE GOVERNMENT ANNOUNCED THE
BEGINNING OF THE PHASE OUT OF THE WHEAT
SUBSIDY, REPORTEDLY REDUCING IT BY 40 PERCENT. THE
GOVERNMENT PLANS TO ELIMINATE THE SUBSIDY
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COMPLETELY DURING THE COURSE OF 1977.

BEFORE THIS REDUCTION WAS MADE, THE GOVERNMENT WAS BUYING WHEAT FROM FARMERS FOR THE EQUIVALENT OF US\$179 PER MT OR IMPORTING IT FOR AROUND US\$100 PER MT AND SELLING IT TO THE MILLS FOR US\$61 PER MT. THIS SUBSIDY HAD BECOME A SIGNIFICANT DRAIN ON THE TREASURY AND UNLESS CHANGED WAS PROJECTED TO COST IN 1977 MORE THAN COSTS INCURRED IN 1976.

3. COMMENT: THE PARTIAL WITHDRAWAL OF THE WHEAT SUBSIDY AND THE RISE OF GASOLINE PRICE ON DECEMBER 1, 1976 (FOR AN AVERAGE OF 11.9 PERCENT) ARE EXPECTED TO RESULT IN A REVERSAL OF THE INFLATION TREND IN DECEMBER. ACCORDING TO ESTIMATES MADE BY THE GETULIO VARGAS FOUNDATION, AS REPORTED IN THE PRESS, THE IMPACT ON THE GENERAL PRICE INDEX OF THE REDUCTION IN THE WHEAT SUBSIDY IS FORECAST BETWEEN 0.10 PERCENT AND 0.15 PERCENT WHILE THE IMPACT OF THE OIL PRICE INCREASE IS PROJECTED AT 1.0 PERCENT. THE FOUNDATION ESTIMATES THE RISE IN THE GENERAL PRICE INDEX IN DECEMBER IN THE 2.5-3.0 PERCENT RANGE, WHICH WILL BRING INFLATION FOR THE YEAR UP TO AROUND 47.0 PERCENT. FINANCE MINISTER SIMONSEN HAS INDICATED THAT HE EXPECTS TO "EXPURGATE" FROM THE DECEMBER INFLATION RATE THAT PORTION OF THE INCREASE ATTRIBUTED TO THE WHEAT PRICE RISE SO THAT THE MONETARY CORRECTION FACTOR FOR THE MONTH DOES NOT REFLECT THE "ACCIDENTAL" INCREASE IN WHEAT PRICE. IT WILL BE RECALLED THAT LAST YEAR, IN AN EFFORT TO MINIMIZE THE INFLATION GENERATING POTENTIAL OF MONETARY CORRECTION, THE GOVERNMENT ADOPTED A POLICY OF DEDUCTING FROM THE PRICE INDEX INCLUDED IN THE MONETARY CORRECTION FORMULA ANY INCREASE WHICH WAS CONSIDERED UNUSUAL OR "ACCIDENTAL."

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CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRICE INDEXES, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BRASIL10160
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760457-0033
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761251/aaaabryy.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2004 by CunninFX>; APPROVED <28 OCT 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
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04 MAY 2006

Review Media Identifier:
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Status: NATIVE
Subject: INFLATIONARY TRENDS
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